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Current Support Brief

PERFORMANCE OF THE CHINESE COMMUNIST ECONOMY BELOW EXPECTATIONS AT MIDYEAR



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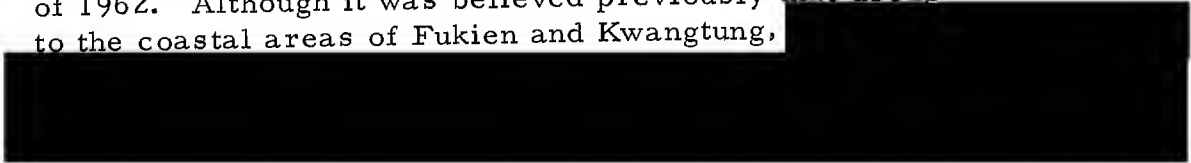
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PERFORMANCE OF THE CHINESE COMMUNIST ECONOMY
BELOW EXPECTATIONS AT MIDYEAR

The cautious optimism with which the Chinese Communist regime entered the new year has been somewhat dampened in the past 2 or 3 months. Unfavorable weather has negated Peking's hopes for an expanded harvest of summer grains and some priority programs in industry, particularly expanded production of chemical fertilizer, have proceeded very slowly. The paucity of current economic successes probably was a major factor in the postponement until the last quarter of this year of the Fourth Session of the Second National Peoples Congress, which was originally scheduled for the second quarter.

The Chinese Communists entered 1963 with an economic program that they hoped would lay the foundation for a renewal of economic development in 1964 or in 1965 at the latest. Key features of this program were (1) continued emphasis on agriculture, particularly on expanded production of grain and cotton, and on industries producing goods for agriculture and for consumers; (2) raising the technological levels of industry in order better to meet agricultural and military needs; and (3) strengthening the mining and timber industries. ^{1/} No definitive assessment of achievements would be possible this early in July even if the Chinese had not ceased publication of economic data (as they did after the collapse of the leap forward in 1960), but several recent indications suggest that performance in some crucial areas has been falling short of Peking's earlier expectations and that therefore the regime's recovery timetable has been upset, at least temporarily.

Although weather conditions for winter wheat were favorable during the fall planting and through the winter, confirmation of earlier reports of poor spring weather throughout much of China indicate that the summer grain crops this year probably will be worse than the poor harvest of 1962. Although it was believed previously that drought was restricted to the coastal areas of Fukien and Kwangtung,



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25X1 [REDACTED] drought extends inland to within about 150 miles south of Changsha. Reservoirs and other catchments in this area were empty or had low water levels. Northward through Changsha, there is less evidence of drought and more and more water appears. Flooding is severe and extensive southeast of Wuhan, with levies washed out and large areas completely under water. [REDACTED]

25X1 [REDACTED] in the areas north and west of Wuhan there was extensive local flooding, with water still standing in most low areas. In Hopeh, very heavy rain -- three to four times the normal amount -- came just as crops ripened, making it impossible to go into the fields at harvest time. 25X1

Although it is too early to indicate what the fall harvest will be, the unfavorable weather conditions in South and Central China already have delayed the planting of rice in many areas, and low water levels in reservoirs suggest that the water needed for the early growth of the fall rice may be deficient in wide areas of South China. Even the hopes of a substantial increase in the cotton crop this year have been lessened by poor showings in some areas, although acreage was expanded and targets for cotton planting probably were exceeded. The cotton crop of Honan, for example, which had been set back at planting time by excessive rainfall and low temperatures, continued to be threatened into June by heavy rain, weeds, and insects. 2/

The postponement, announced on 7 June, 3/ of the Fourth Session of the Second National Peoples Congress may in part be related to the Sino-Soviet meetings in Moscow, but the fundamental reason probably was economic. The meeting had been scheduled in mid-December 1962 for the second quarter of this year, but the poor outlook thus far in the crucial agricultural sector probably was a major factor in the delay until a fall post-harvest date in the hope that agricultural performance will have improved by that time. Peking probably wants to present a general outline for the Third Five Year Plan (1963-67) at the meeting, but discussion of a development program would have a hollow ring if the program were being launched from an obviously inadequate agricultural base.

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Some progress probably has continued in the program to improve the management of industrial plants and to expand production of light industrial products made from industrial raw materials, 4/ but performance in at least one priority field of industry -- chemical fertilizer -- seems to be lagging. Technological problems, such as the inability to manufacture high-pressure equipment for producing synthetic ammonia, have continued to delay completion of several large plants. 5/ These construction problems together with persistent problems of technical management in production probably have narrowed considerably the possibilities for the large increase in fertilizer output the Chinese Communists were hoping to achieve in 1963.

Other recent developments -- continued purchase of grain from the Free World, intensification of birth control, and continued attempts to reduce the number of surplus workers -- may not have been motivated by a shortfall in output of early food crops, but the rationale for these actions certainly would have been reinforced by the poorer outlook for production of grain. New contracts were signed with Australia on 31 May and 1 July for 1.35 million tons of wheat, 6/ bringing total contracts with the Free World for delivery this year to approximately 5.0 million tons. This figure may be raised through current negotiations with Canada, with which Peking has the option until the end of this year to buy 1.5 million tons of grain. The low-key effort of 1962 to spread information on birth control has been stepped up this year. Abortion, sterilization, and other measures are being advocated, and official propaganda admits that unrestrained growth of the population would threaten the economic development of the nation. Therefore, a comprehensive, long-term program of birth control that would put major stress on pressure rather than on persuasion may be launched in the near future. The fact that Peking has continued its campaign to reduce the size of factory working forces and to move surplus workers back to the rural areas is further evidence of the regime's lack of confidence in immediate economic prospects.

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